

EXECUTIVE SUMMARY

After suffering a weak year in 2010, Idaho's economy should take small steps toward a recovery in 2011. Idaho nonfarm employment shrank 1.3% in 2010. It is forecast to grow 1.0% this year. It is then expected to grow about 2.7% through 2014. At that pace, it finally clears its 2007 peak by about 2,600 jobs in 2014. The combined services and trade sectors are expected to make a disproportionately positive impact on employment. Although they account for about two-thirds of existing nonfarm jobs, they will account for over 80% of the jobs created over the forecast period. Goods-producing employment is anticipated to be a mixed bag. Manufacturing employment is forecast to expand in every year beginning with 2011. It should be noted that the state's high-tech sector's employment is projected to remain stable over the next few years, which is a vast improvement from the declines it experienced through the first decade of the new millennium. Mining should also advance over the forecast period. Construction employment should take longer to recover, posting its first gain in 2012. Recovering employment should help Idaho nominal personal income growth accelerate over the forecast period. Specifically, it increases 3.1% in 2011, 4.4% in 2012, 5.1% in 2013, and 6.1% in 2014. Idaho real personal income grows 1.7% in 2011, 2.7% in 2012, 3.3% in 2013, and 4.0% in 2014 in this forecast.

The national economy has been expanding since the third quarter of 2009, but it could do better. In order for it to shift into higher gear, consumers must be willing to spend more freely. Consumers have several reasons to be cautious. The lack of jobs remains one of the most frustrating features of the economy. Well over a year after the official end to the recession, the nation's unemployment rate is near 10% and the underemployment rate is about 17%. Consumers have also experienced a stretch of tight credit and watched their household finances deteriorate. One of the reasons for the drop was the housing price collapse. Consumers will spend more when they regain confidence in employment, but firms will not feel very confident in hiring more people until the economy starts growing faster. The virtuous circle necessary to drive spending and employment up strongly together has yet to develop. The need to hire appears to exist; productivity growth has been strong, suggesting those with jobs could use some additional help. Uncertainty about expiring 2001 federal tax cuts may have kept both consumers and businesses on the fence. Fortunately, this matter was settled late last year. It is hoped the end of this uncertainty will help transform the vicious cycle into a virtuous one where hiring and spending reinforce each other. This turnaround will be gradual. National nonfarm employment is forecast to grow 1.0% this year and 1.8% annually in the remaining years of the forecast. At that pace, it will take until 2014 to regain all of the jobs lost since the 2008 peak. No doubt some will be disappointed with the recovery. Indeed, things could be better. However, the economy is moving in the right direction. And even the smallest steps forward puts the worst downturn since the Great Depression further behind us.

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
U.S. GDP (BILLIONS)												
Current \$	11,142	11,868	12,638	13,399	14,062	14,369	14,119	14,645	15,172	15,831	16,527	17,364
% Ch	4.7%	6.5%	6.5%	6.0%	4.9%	2.2%	-1.7%	3.7%	3.6%	4.3%	4.4%	5.1%
2005 Chain-Weighted	11,841	12,264	12,638	12,976	13,229	13,229	12,881	13,234	13,532	13,921	14,298	14,742
% Ch	2.5%	3.6%	3.1%	2.7%	1.9%	0.0%	-2.6%	2.7%	2.3%	2.9%	2.7%	3.1%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	36,065	39,545	42,197	46,253	49,117	50,376	48,944	50,402	51,957	54,223	56,969	60,423
% Ch	3.3%	9.6%	6.7%	9.6%	6.2%	2.6%	-2.8%	3.0%	3.1%	4.4%	5.1%	6.1%
Idaho Nonfarm (Millions)	35,242	38,210	41,022	45,163	47,538	48,555	47,716	48,895	50,429	52,682	55,429	58,877
% Ch	4.1%	8.4%	7.4%	10.1%	5.3%	2.1%	-1.7%	2.5%	3.1%	4.5%	5.2%	6.2%
U.S. (Billions)	9,378	9,937	10,486	11,268	11,912	12,391	12,175	12,503	12,900	13,409	13,999	14,787
% Ch	3.5%	6.0%	5.5%	7.5%	5.7%	4.0%	-1.7%	2.7%	3.2%	3.9%	4.4%	5.6%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	38,112	40,722	42,192	45,013	46,527	46,194	44,798	45,335	46,116	47,380	48,921	50,863
% Ch	1.3%	6.8%	3.6%	6.7%	3.4%	-0.7%	-3.0%	1.2%	1.7%	2.7%	3.3%	4.0%
Idaho Nonfarm (Millions)	37,243	39,347	41,017	43,953	45,032	44,523	43,675	43,980	44,760	46,034	47,599	49,561
% Ch	2.1%	5.7%	4.2%	7.2%	2.5%	-1.1%	-1.9%	0.7%	1.8%	2.8%	3.4%	4.1%
U.S. (Billions)	9,911	10,233	10,485	10,966	11,284	11,362	11,144	11,246	11,450	11,717	12,022	12,447
% Ch	1.4%	3.3%	2.5%	4.6%	2.9%	0.7%	-1.9%	0.9%	1.8%	2.3%	2.6%	3.5%
HOUSING STARTS												
Idaho	16,393	18,674	23,410	19,553	14,379	7,988	5,674	5,275	6,840	11,266	13,987	15,372
% Ch	23.9%	13.9%	25.4%	-16.5%	-26.5%	-44.4%	-29.0%	-7.0%	29.7%	64.7%	24.2%	9.9%
U.S. (Millions)	1,854	1,950	2,073	1,812	1,342	0,900	0,554	0,604	0,783	1,210	1,408	1,592
% Ch	8.4%	5.2%	6.3%	-12.6%	-25.9%	-32.9%	-38.4%	9.0%	29.7%	54.6%	16.4%	13.0%
TOTAL NONFARM EMPLOYMENT												
Idaho	572,545	588,052	611,681	638,834	656,219	648,875	610,403	602,249	608,472	624,890	642,419	658,847
% Ch	0.8%	2.7%	4.0%	4.4%	2.7%	-1.1%	-5.9%	-1.3%	1.0%	2.7%	2.8%	2.6%
U.S. (Thousands)	129,996	131,419	133,694	136,086	137,588	136,777	130,911	130,246	131,551	133,981	136,458	138,946
% Ch	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.3%	-0.5%	1.0%	1.8%	1.8%	1.8%
SELECTED INTEREST RATES												
Federal Funds	1.1%	1.3%	3.2%	5.0%	5.0%	1.9%	0.2%	0.2%	0.1%	1.3%	3.4%	3.6%
Bank Prime	4.1%	4.3%	6.2%	8.0%	8.1%	5.1%	3.3%	3.3%	3.3%	4.3%	6.4%	6.6%
Existing Home Mortgage	5.7%	5.7%	5.9%	6.6%	6.5%	6.2%	5.1%	4.9%	4.6%	5.2%	6.2%	6.3%
INFLATION												
GDP Price Deflator	2.2%	2.8%	3.3%	3.3%	2.9%	2.2%	0.9%	1.0%	1.3%	1.4%	1.6%	1.9%
Personal Cons Deflator	2.0%	2.6%	3.0%	2.7%	2.7%	3.3%	0.2%	1.8%	1.3%	1.6%	1.8%	2.0%
Consumer Price Index	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.7%	1.5%	1.9%	2.0%	2.2%

National Variables Forecast by IHS GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2010

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	2010				2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	14,446	14,579	14,730	14,826	14,977	15,089	15,225	15,397	15,570	15,742	15,914	16,098
% Ch	4.8%	3.7%	4.2%	2.6%	4.2%	3.0%	3.6%	4.6%	4.6%	4.5%	4.5%	4.7%
2005 Chain-Weighted	13,139	13,195	13,261	13,342	13,413	13,480	13,563	13,672	13,765	13,873	13,972	14,075
% Ch	3.7%	1.7%	2.0%	2.5%	2.2%	2.0%	2.5%	3.2%	2.8%	3.2%	2.9%	3.0%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	49,756	50,200	50,581	51,072	51,412	51,696	52,148	52,572	53,216	53,887	54,543	55,244
% Ch	5.1%	3.6%	3.1%	3.9%	2.7%	2.2%	3.5%	3.3%	5.0%	5.1%	5.0%	5.2%
Idaho Nonfarm (Millions)	48,315	48,863	49,055	49,348	49,732	50,164	50,649	51,173	51,663	52,319	53,006	53,742
% Ch	4.2%	4.6%	1.6%	2.4%	3.2%	3.5%	3.9%	4.2%	3.9%	5.2%	5.4%	5.7%
U.S. (Billions)	12,350	12,474	12,540	12,647	12,749	12,841	12,944	13,067	13,187	13,329	13,481	13,640
% Ch	3.7%	4.1%	2.1%	3.5%	3.3%	2.9%	3.2%	3.9%	3.7%	4.4%	4.6%	4.8%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	44,865	45,271	45,500	45,705	45,846	45,979	46,220	46,417	46,786	47,194	47,570	47,971
% Ch	3.0%	3.7%	2.0%	1.8%	1.2%	1.2%	2.1%	1.7%	3.2%	3.5%	3.2%	3.4%
Idaho Nonfarm (Millions)	43,566	44,065	44,127	44,162	44,349	44,617	44,892	45,182	45,420	45,820	46,229	46,667
% Ch	2.0%	4.7%	0.6%	0.3%	1.7%	2.4%	2.5%	2.6%	2.1%	3.6%	3.6%	3.8%
U.S. (Billions)	11,136	11,249	11,280	11,318	11,369	11,421	11,473	11,537	11,594	11,674	11,757	11,845
% Ch	1.6%	4.1%	1.1%	1.4%	1.8%	1.9%	1.8%	2.3%	2.0%	2.8%	2.9%	3.0%
HOUSING STARTS												
Idaho	6,717	5,574	3,601	5,207	5,523	6,093	7,374	8,371	9,454	10,690	12,055	12,866
% Ch	36.2%	-52.6%	-82.6%	337.1%	26.5%	48.1%	114.6%	66.1%	62.7%	63.5%	61.7%	29.8%
U.S. (Millions)	0.617	0.602	0.589	0.607	0.644	0.718	0.824	0.946	1.083	1.184	1.269	1.305
% Ch	42.6%	-9.4%	-8.2%	12.6%	26.9%	54.3%	73.1%	73.6%	72.0%	42.7%	32.2%	11.9%
TOTAL NONFARM EMPLOYMENT												
Idaho	602,991	603,899	600,862	601,247	603,327	606,354	610,159	614,048	618,002	622,469	627,070	632,021
% Ch	-2.2%	0.6%	-2.0%	0.3%	1.4%	2.0%	2.5%	2.6%	2.6%	2.9%	3.0%	3.2%
U.S. (Thousands)	129,697	130,392	130,339	130,558	130,850	131,281	131,728	132,344	132,970	133,648	134,324	134,982
% Ch	0.2%	2.2%	-0.2%	0.7%	0.9%	1.3%	1.4%	1.9%	1.9%	2.1%	2.0%	2.0%
SELECTED INTEREST RATES												
Federal Funds	0.1%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%	1.6%	2.5%
Bank Prime	3.3%	3.3%	3.3%	3.3%	3.3%	3.2%	3.3%	3.3%	3.3%	3.7%	4.6%	5.5%
Existing Home Mortgage	5.1%	5.1%	4.8%	4.6%	4.5%	4.5%	4.5%	4.8%	5.0%	5.1%	5.2%	5.6%
INFLATION												
GDP Price Deflator	1.0%	1.9%	2.3%	0.0%	2.0%	1.0%	1.1%	1.3%	1.8%	1.3%	1.5%	1.6%
Personal Cons Deflator	2.1%	0.0%	1.0%	2.1%	1.4%	1.1%	1.4%	1.5%	1.7%	1.6%	1.7%	1.8%
Consumer Price Index	1.5%	-0.7%	1.5%	2.7%	1.4%	1.1%	1.7%	1.9%	2.1%	1.9%	2.0%	2.1%

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